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APPROVAL OF UNDP ASSISTANCE TO A PROJECT OF BRAZIL

IPF:(1992-1996) $ 14 183 000

(BRA/91/014) - Support to the Development of Agricultural Policy Research

Date of approval by the AC:[1]	16 December 1992
Expected duration:	Three years
Proposed executing agency:	Government
Government implementing agency:	IPEA (Institute of Applied Economic Research)
Proposed UNDP contribution:	nil
Government cost sharing:	$ 5 000 000
Previous UNDP contribution:	$ 5 917 500
Total UNDP budget:	$ 10 917 500

Project background

Brazilian agriculture represents 10 percent of GNP, absorbs 25 percent of the labour force and accounts for 30 percent of total exports. The growth dynamics and structure of the agricultural sector has been heavily influenced by government policy and instruments geared to favour the domestic market, foster import substitution and protect the sector from international market competition. An overvalued exchange rate and considerable tariff constraints, were mechanisms historically used to achieve such end, in addition to the control of food prices and prohibition or limitation on exports of primary products. Subsidized rural credit and guaranteed product acquisitions at subsidized minimum prices, were costly policy instruments designed to stimulate production and counterbalance global economic policy with adverse effects on the agricultural sector.

The recent Brazilian economic and financial crisis severely limited the possibility of allocating public funds to economic activity, and led in the early 1990s, to a major revision of the economic policy guidelines for agriculture. The revised agricultural policy aims at modernizing Brazilian agriculture by opening the sector to free international trade, enhancing the role of the private sector in finance and investments and eliminating state intervention in the commercialization and distribution of products. This implies a broad redefinition of the role of the State, the liberalization of external trade, a fiscal reform including a re-assessment of subsidy and taxation policies, anmd the implementation of agroecological zoning and self-sustained regional development plans, amongst others.

Towards the formulation of guidelines and instruments for the agricultural sector, IBRD approved in 1986 a (US)$ 500 million loan to fund the process of reducing subsidies to rural

[1] **This Fact Sheet reflects the status of the project/revision at the time it was approved by the Action Committee; modifications to the project/revision may have occurred subsequently.**

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credit, and implement reforms in the price and commercialization policies. An amount of (US)$ 25 million was allocated for the acquisition of equipment and technical assistance.

To implement part of the technical assistance component by conducting various studies for the formulation of new policies, the Government requested UNDP assistance under the present approval. In 1991 preparatory assistance for (US)$ 945,000 was signed to finance agricultural policy related research and studies. As a result of discussions with IBRD official mission to Brazil in May 1922, the Government decided to propose broadening the activities of the project, emphasizing human resources development for policy formulation in the medium and long run. To this end, activities for training, seminars, workshops, publications and institutional building have been included in this project revision.

Description of project

The development objective of the project is to modernize the agricultural sector and insert it in a competitive international market economy, which is contained in Brazil's Fifth Country Programme, Modernization of the Productive Sector.

The immediate objectives of the project are to: (a) implement the studies and research to support the formulation of agricultural policy, reformulation and creation of new instruments, and definition of medium and long-term development strategies for the sector; and (b) train the staff directly responsible for the formulation and execution of the agricultural policy through seminars, workshops and courses.

Inputs

UNDP will provide 10 work-months of international consultancy, 1000 work-months of national consultancies to carry out studies and research; 260 work-months for project administration; subcontracts for national institutions to perform specific research among others in the areas of liberalization of Foreign Trade/Competitiveness of Agro-industrial complex, tax burden inciding on Brazilian Agriculture, and development of self-sustained agriculture; training in the form of seminars, workshops and courses; and research equipment.

Financial data

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Personnel	4 032 600
Subcontract	500 000
Training	40 000
Equipment	30 000
Miscellaneous	397 400
Total	5 000 000

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